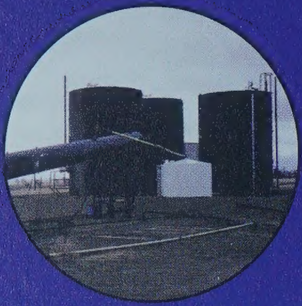
LIBERTY
OIL & GAS LTD.

2000 ANNUAL REPORT

CDNX LBR

CORPORATE PROFILE



Liberty Oil & Gas Ltd. commenced operations as a private company under the Business Corporations Act of Alberta on November 6, 1995. Liberty became a public company by completing a reverse takeover of Rockport Energy Corporation and amalgamating the two companies under the Canada Business Corporations Act on November 30, 1998. The Company's principal business is the acquisition, exploration, development and production of oil and natural gas properties in Western Canada. Liberty is based in Calgary and has operations in Alberta and Saskatchewan.

Liberty is listed on the Canadian Venture Exchange (CDNX) under the trading symbol LBR.

The number of shares issued and outstanding as of April 19, 2001 is **16,746,153**.

Liberty

ANNUAL GENERAL & SPECIAL MEETING

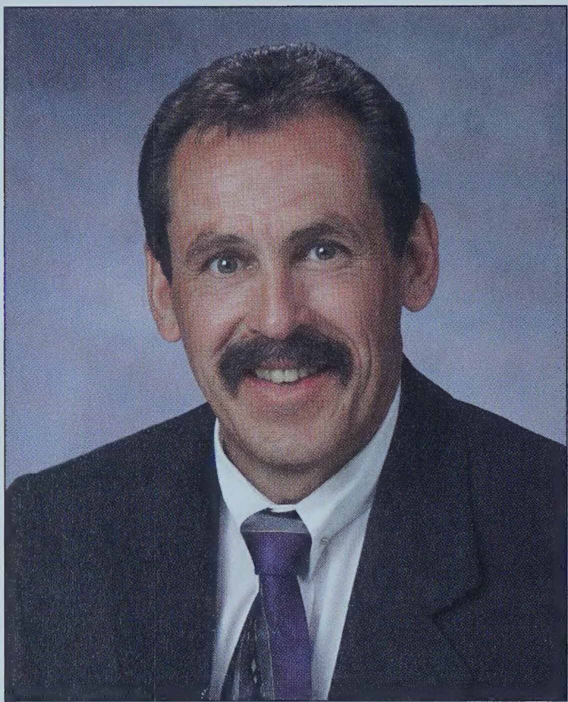
The Annual General & Special Meeting of Liberty Oil & Gas Ltd. will be held on Thursday, May 31, 2001 in the Barber Room at The 400 Club, 710 - 4 Avenue SW, Calgary, Alberta, T2P 0K3 commencing at 3:00 pm. Shareholders are invited to attend but if they are unable to do so, they are asked to fill in and return their proxies.

Contents

CORPORATE SUMMARY

Fiscal Year Ended December 31	**2000**	1999	1998	1997
SHARES OUTSTANDING				
Basic common shares outstanding during the year	**13,735,166**	10,927,039	6,911,773	5,672,422
Fully diluted common shares outstanding during the year	**14,924,630**	11,141,163	6,911,773	5,672,422
Basic common shares outstanding at year end	**16,671,153**	13,361,354	10,917,123	6,441,666
Fully diluted common shares outstanding at year end	**18,053,271**	13,817,354	10,917,123	6,441,666
FINANCIAL				
Total Assets	**$28,557,282**	$15,959,438	$10,873,043	$4,252,128
Long-term debt	**$7,514,277**	$5,242,212	$4,159,701	$1,184,305
Working capital (deficiency)	**($3,901,390)**	($2,055,214)	($906,972)	($8,825)
Shareholders' Equity	**$11,199,866**	$6,543,761	$5,110,157	$2,345,007
Net Debt to Shareholders' Equity	**1.0 to 1.0**	1.1 to 1.0	1.0 to 1.0	0.5 to 1.0
Net Debt to Cash Flow	**1.8 to 1.0**	4.7 to 1.0	14.4 to 1.0	10.3 to 1.0
Cash flow from operations	**$6,428,778**	$1,543,562	$352,170	$115,564
Cash flow per share	**$0.47**	$0.14	$0.05	$0.02
Net income (loss)	**$2,338,756**	$467,830	($615,065)	($83,911)
Basic earnings (loss) per share	**$0.17**	$0.04	($0.09)	($0.01)
Fully diluted earnings (loss) per share	**$0.16**	$0.04	($0.09)	($0.01)
Product Prices				
Oil + NGLs (per Bbl)	**$35.26**	$23.56	$15.11	$23.98
Natural Gas (per Mcf)	**$5.64**	$2.93	$2.02	$1.83
Annual Gross Sales				
Oil + NGLs	**$7,208,879**	$2,560,491	$513,488	$281,728
Natural Gas	**$5,950,467**	$1,899,696	$1,305,382	$380,385
Total	**$13,159,346**	$4,460,187	$1,818,870	$662,113
PRODUCTION				
Daily Average Production				
Oil + NGLs (BOE/D)	**559**	298	93	32
Natural Gas (BOE/D)	**288**	177	177	57
Total (BOE/D)	**847**	475	270	89
RESERVES				
Proven Plus 50% Probable Reserves				
Oil + NGLs (MBOE)	**2,543**	2,025	1,229	262
Natural Gas (MBOE)	**877**	1,001	568	522
Total (MBOE)	**3,420**	3,026	1,797	784
NET ASSET VALUE				
10% Net Present Value of Reserves Proven + 50% Probable	**$42,000,000**	$27,104,000	$14,955,000	$6,875,000
Additions: Value attributable to salvageable equipment, seismic, undeveloped lands and 10% of year end Tax Pools	**$7,207,208**	$4,842,000	$3,455,000	$986,000
Reduction: Long-term debt, working capital deficiency and future lease and other commitments	**($12,766,004)**	($8,054,000)	($5,715,000)	($1,218,000)
Net Asset Value (NAV) (before tax)	**$36,441,204**	$23,892,000	$12,695,000	$6,643,000
NAV per Common Share - Basic	**$2.19**	$1.79	$1.16	$1.03
NAV per Common Share - Fully Diluted	**$2.09**	$1.73	$1.16	$1.03

PRESIDENT'S MESSAGE



Rick Martin
President, CEO & Chairman

I am pleased to report that Liberty Oil & Gas Ltd. had an excellent year in 2000 due to increased production and strong oil and natural gas prices. On November 6, 2000, the Company marked its 5th Anniversary. Now entering its 6th year of operations, Liberty is continuing to add to the strong positive growth the Company has consistently exhibited over the past 5 years.

Board of Directors

The Board of Directors currently consists of the following four Directors:

Name	Position
Rick Martin	President, CEO & Chairman
Russ Sych	Production Foreman
John Doyle	President, Netook Construction Ltd., Olds, Alberta
Iain Barr	VP Finance, Pacific West Systems Supply Ltd. Vancouver, British Columbia

Management Team

The management team detailed in last year's Annual Report remains intact and consequently demonstrates a strong commitment to the Company. Liberty's management team is shown below and is further detailed on pages 6 and 7:

Name	Position
Rick Martin	President, CEO & Chairman
Rick Doherty	Controller & Chief Financial Officer
Russ Sych	Production Foreman
Deirdre Trudgeon	Legal Counsel & Corporate Secretary
Fred Farkas	Exploration Manager
Susan Elliot	Land Manager
Greg Elliot	Operations Manager

Liberty could not have achieved its strong growth over the past year and for that matter, over the past five years, without the dedication and contribution of the management and staff. The Company has assembled a solid and highly experienced team of which I am very proud and very grateful. I would especially like to acknowledge the contributions of Rick Doherty, Controller and Chief Financial Officer and Russ Sych, Production Foreman and Director. The outstanding efforts of Rick and Russ through some very demanding circumstances over the past two years, have given Liberty a strong presence in the areas of financial management, financial reporting and production operations.

Production

Liberty's average daily oil and gas production volumes have continued to grow at a steady pace over the past five years as shown below and as further detailed on page 13:

Average Daily Oil & Gas Production, BOE/D

YEAR	OIL & NGLs BOE/D	GAS BOE/D	**TOTAL BOE/D**
1996	5	5	**10**
1997	32	57	**89**
1998	93	177	**270**
1999	298	177	**475**
2000	559	288	**847**
2001 E	1120	605	**1725**

Reserves

Liberty's oil and gas reserves have also grown steadily over the past five years and the Company's proven + 50% probable reserves are summarized in the following table and are further detailed on page 12. The engineering firm of Gilbert Laustsen Jung Associates Ltd. completed an independent evaluation of the Company's reserves as of January 1, 2001 and the Company is pleased to report that its reserves at year end increased by 26% over the Company's reserves position at January 1, 2000, including the replacement of the 2000 production volume.

Oil & Gas Reserves, MBOE (Proven + 50% Probable)

YEAR	OIL + NGLs MBOE	GAS MBOE	**TOTAL MBOE**
1996	341	52	**393**
1997	262	522	**784**
1998	1229	568	**1797**
1999	2025	1001	**3026**
2000	2543	877	**3420**

2000 Performance

Liberty reports that production, cash flow and net income for the year ended December 31, 2000 increased significantly over the results for the year ended December 31, 1999. Cash flow for 2000 totalled **$6,428,778** compared to $1,543,562 for 1999, an increase of **316%**. Cash flow per share for 2000 was **$0.47** ($0.43 fully diluted) compared to $0.14 basic and fully diluted for 1999. Net income for the year ended December 31, 2000 was **$2,338,756** compared to $467,830 for the same period in 1999, an increase of **400%**. Earnings per share for 2000 was **$0.17** ($0.16 fully diluted) compared to $0.04 basic and fully diluted for 1999. Production averaged **847 BOE/D** for 2000 compared to 475 BOE/D for 1999. The average daily production of 847 BOE/D in 2000 was comprised of 559 BOE/D of oil and NGLs (66%) and 288 BOE/D of natural gas (34%). Crude oil prices averaged **$35.26 per barrel** for 2000 compared to $23.56 per barrel for the same period in 1999. Natural gas prices averaged **$5.64 per Mcf** for 2000 compared to $2.93 per Mcf for the same period in 1999.

2000 Highlights

		1999		2000	Growth %
Average Daily Production (BOE/D)		475		**847**	**80**
Crude Oil Price ($Cdn/BBL)	$	23.56	**$**	**35.26**	**50**
Natural Gas Price ($/Mcf)	$	2.93	**$**	**5.64**	**92**
Gross Product Sales	$	4,460,187	**$**	**13,159,346**	**195**
Cash Flow	$	1,543,562	**$**	**6,428,778**	**316**
Cash Flow per Share	$	0.14	**$**	**0.47**	**236**
Net Debt (incl. working capital deficiency)	$	7,297,426	**$**	**11,415,667**	**–**
Net Debt to Cash Flow Ratio		4.8:1		**1.8:1**	**63**
Net Income	$	467,830	**$**	**2,338,756**	**400**
Earnings per Share	$	0.04	**$**	**0.17**	**325**
Weighted Average Number of Shares		10,927,039		**13,735,166**	**–**
Net Asset Value per Share (BT 10% NPV proven + 50% probable)	$	1.79	**$**	**2.19**	**22**

2001 Objectives

Liberty is projecting a strong year for the Company in 2001 based on expectations that oil and natural gas prices will continue at attractive levels for the balance of the year. The Company has set its capital budget at **$15,000,000** for 2001 which includes the drilling of 20 wells, and expects to add 900 BOE/D during the year to achieve a 2001 exit volume of **2100 BOE/D** allowing for a 20% production rate decline in the year. In addition to the $15,000,000 capital budget, the Company has dedicated $3,000,000 for acquisitions in 2001.

Acknowledgements

I would like to thank the Liberty staff, consultants and Directors for an excellent performance in 2000. I would also like to thank our shareholders for their continuing support. I look forward to seeing many of you at our 5th Annual General & Special Meeting on Thursday, May 31, 2001.

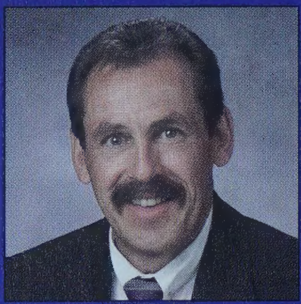
On behalf of the Board of Directors,

Rick Martin

Rick Martin
President, CEO & Chairman
May 7, 2001

Liberty Fosterton 8-15-17-18W3

MANAGEMENT TEAM



Rick Martin
President, CEO & Chairman

28 years of industry experience

Work History
Shell Canada Ltd.
Czar Resources Ltd.
Liberty Oil & Gas Ltd.

Areas of Experience
Production operations
Production facilities, pipelines, oil batteries, gas plants, compressors
Drilling, completions, workovers
Gas marketing
Acquisitions and divestitures
Corporate management

Rick Doherty
Controller & CFO

30 years of industry experience

Work History
Maynard Energy Inc.
Royal Trust Energy Corporation
Cody Energy Canada Limited
EnerMark Inc.
Liberty Oil & Gas Ltd.

Areas of Experience
Financial reporting for private and public companies
Oil and gas financial accounting
Cash management planning and optimization
Income tax planning
Acquisition and divestiture due diligence
Capital and operations budgeting

Russ Sych
Production Foreman & Director

34 years of industry experience

Work History
Canadian Superior
Andex Oil & Gas Ltd.
Czar Resources Ltd.
Liberty Oil & Gas Ltd.

Areas of Experience
Production operations
Pipeline construction
Lease construction
Installation of oil batteries, gas plants, field compressors and production facilities

Susan Elliot
Land Manager

27 years of industry experience

Work History
Norcen Energy Resources
Ocelot Industries Ltd.
Joffre Resources Ltd.
Sulpetro Limited
Eagle Resources Ltd.
RimOil Corporation
Canadian Pioneer Energy Inc.
Liberty Oil & Gas Ltd.

Areas of Experience
Negotiations
Acquisitions and divestments
Land management
Co-ordination of exploration and development projects

Fred Farkas
Exploration Manager

39 years of industry experience

Work History
ERCB
Sun Oil Company
Golden Eagle Oil & Gas Ltd.
Great Northern Oil Ltd.
Cabre Exploration Ltd.
Farkas Oil & Gas Ltd.
Liberty Oil & Gas Ltd.

Areas of Experience
Exploration and exploitation geology
Land strategy, economics
Log analysis
Reservoir engineering, reserves estimates
Drilling operations

Greg Elliot
Operations Manager

23 years of industry experience

Work History
ERCB
Sulpetro Limited
Czar Resources Ltd.
Paramount Resources Ltd.
Liberty Oil & Gas Ltd.

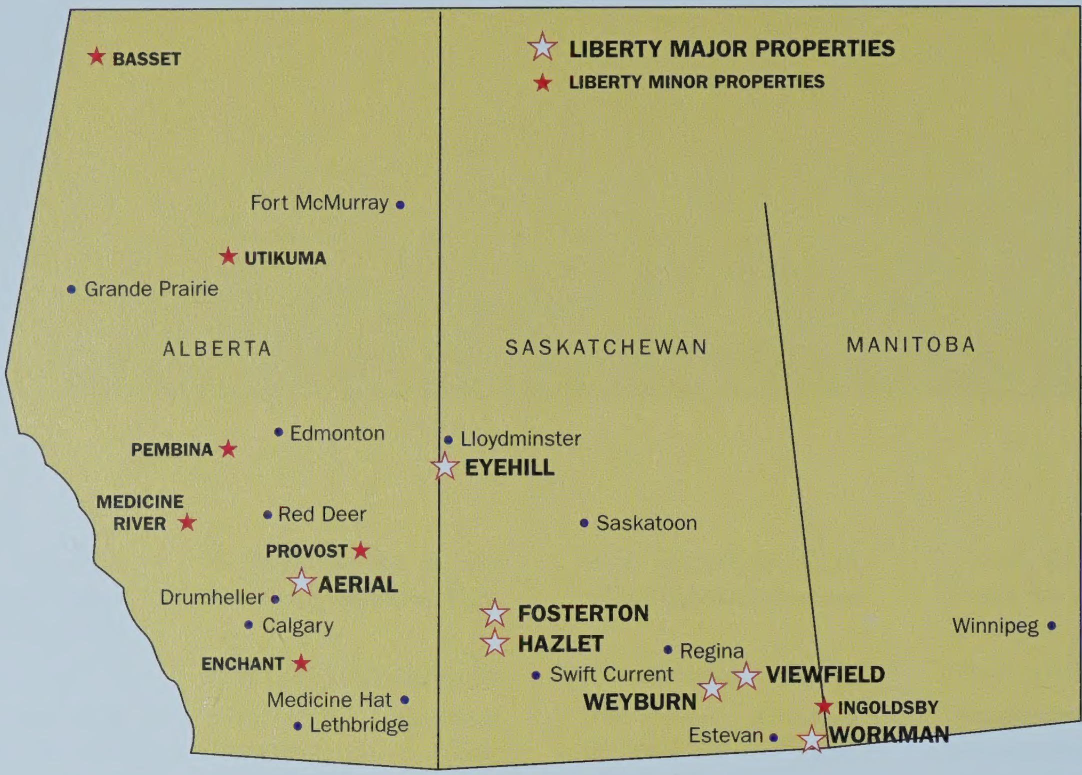
Areas of Experience
Production operations
Drilling, completions, workovers
Horizontal drilling and completions
Pipeline and facility design and construction
Well testing and analysis
Economic evaluations
Safety and environmental management

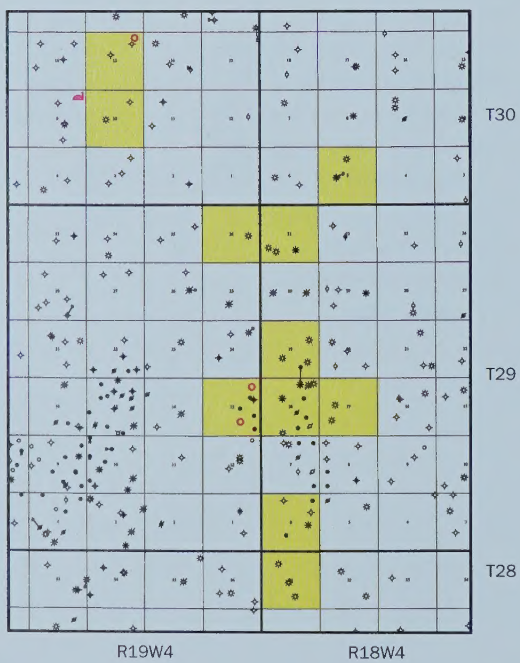
Deirdre Trudgeon
Legal Counsel & Corporate Secretary

17 years of related experience

Work History
Reynolds, Mirth
Bennett Jones
D. Trudgeon, Barrister & Solicitor
Czar Resources Ltd.
Liberty Oil & Gas Ltd.

Areas of Experience
Corporate Law
Commercial Law
Securities Law

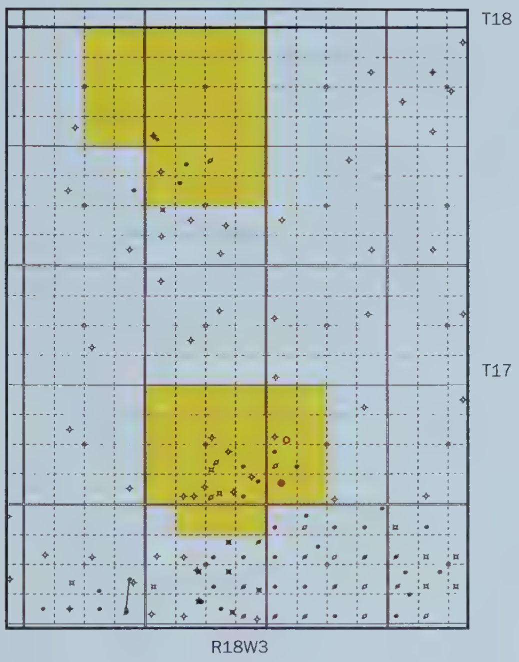




Aerial, AB
(T28, 29 & 30, R18 & 19 W4)

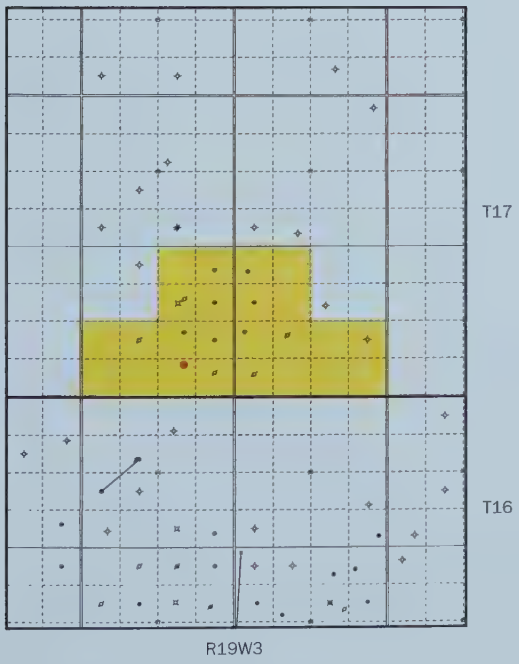
Aerial is Liberty's core producing area and is situated 10 miles east of Drumheller. Liberty has an average working interest of 80% in Aerial and current average daily production is 675 BOE/D (30% oil and 70% natural gas). During 2000, Liberty drilled 5 new wells in Aerial, comprised of 3 oil wells, 1 gas well and 1 dual zone gas/oil well. Liberty also completed and placed on production an additional 2 gas zones in existing wells. Liberty's plans for 2001 include optimizing current production and drilling 3 to 6 new wells to add net incremental oil and gas production of 150 BOE/D.

Note: Anything detailed in red on the maps is part of the 2001 Exploration & Development Capital Program.



Fosterton, SK
(T17, R18 W3)

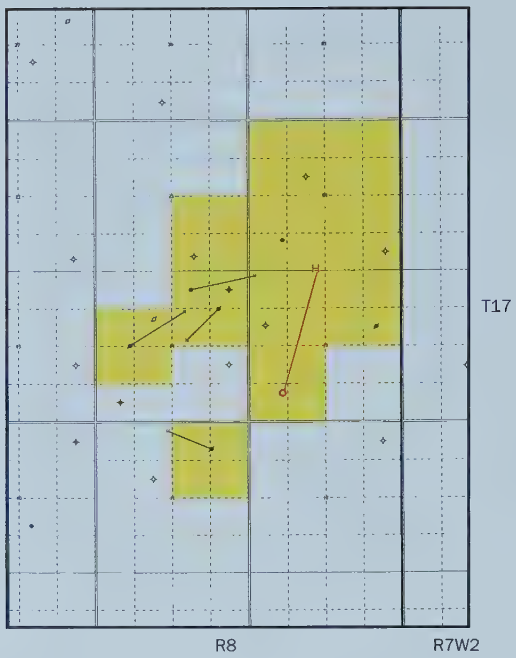
Fosterton is a Roseray sandstone medium oil prospect (22° API) in southwestern Saskatchewan in which Liberty has a 100% working interest. During 2000, Liberty reactivated this high volume, low oil cut, waterflood project. Current production is 200 BOE/D. Liberty recently drilled two new wells in the pool in Q1 based on 3D seismic. One of the wells has been completed and put on production and the second well is currently being completed. The Company expects Fosterton production to be in the order of 300 BOE/D by July 2001.



Hazlet, SK
(T17, R19 W3)

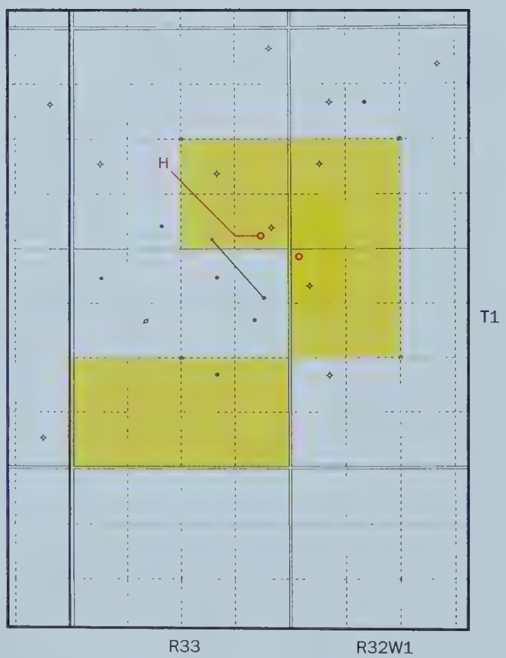
Liberty has a 49.7% working interest in Hazlet, a Roseray sandstone medium oil prospect (22° API) in southwestern Saskatchewan. Hazlet is a high volume, low oil cut, waterflood project. Liberty just drilled and completed a new well in the pool in Q2. Current production from Hazlet is 360 BOE/D (180 BOE/D net to the Company). Liberty expects to increase production in 2001 by a further 10% with an ongoing optimization program.

Note: Anything detailed in red on the maps is part of the 2001 Exploration & Development Capital Program.



Viewfield, SK (T17, R8 W2)

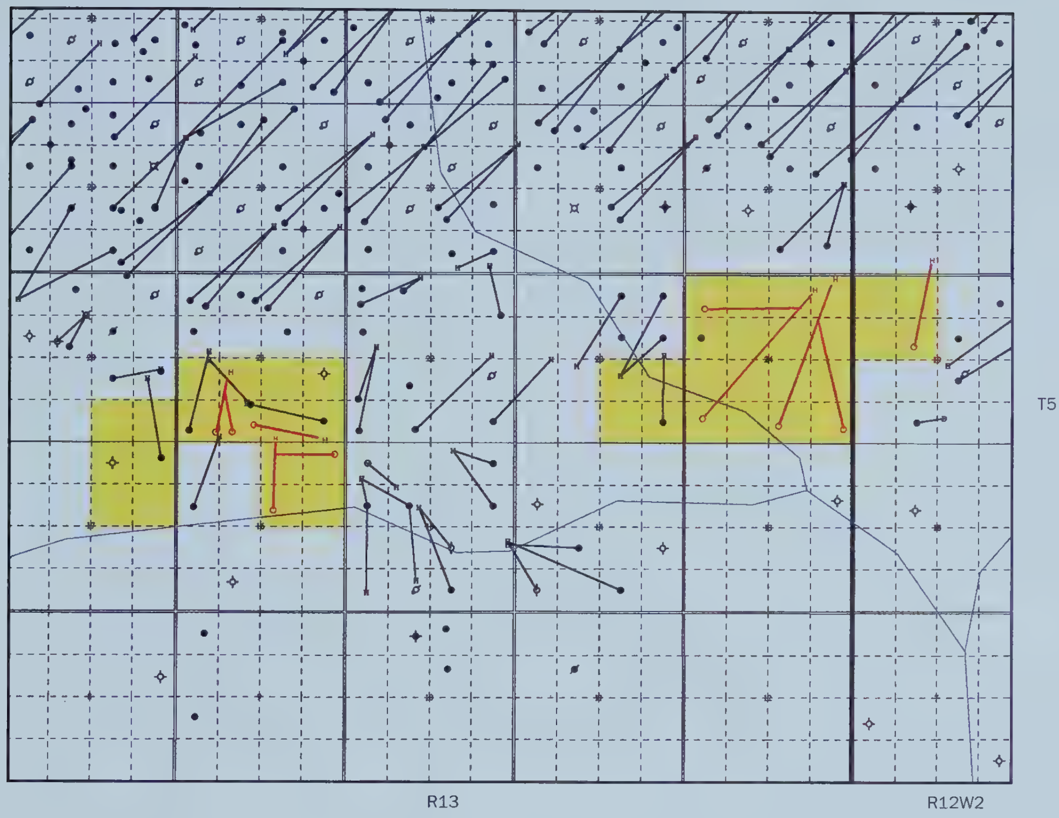
Viewfield is a Frobisher sandstone light oil prospect (40° API) in southeastern Saskatchewan in which Liberty has a 100% working interest. Liberty drilled one vertical and one horizontal well in 2000 and is currently reactivating two suspended horizontal oil wells. Current production from Viewfield is 100 BOE/D. With the drilling of a horizontal well in Q3 and additional workovers, Liberty expects to be producing 250 BOE/D by the end of 2001.



Workman, SK (T1, R32 & 33 W1)

Workman is a Frobisher medium oil prospect (30° API) in southeastern Saskatchewan. Current production is 10 BOE/D net to the company. Liberty has a 50% working interest in a horizontal oil well to be drilled in Q2 and a 100% working interest in a vertical well to be drilled in Q3. The Company expects to add net production in Workman of 150 BOE/D by the end of 2001.

Note: Anything detailed in red on the maps is part of the 2001 Exploration & Development Capital Program.



Weyburn, SK
(T5, R12 & 13 W2)

Weyburn is a Midale-Marly medium oil prospect (30° API) in southeastern Saskatchewan. Liberty currently has a 15% (non-operated) working interest in 1 section of land and a 100% working interest in 1.75 sections of land. Current production is 18 BOE/D net to the Company from the non-operated lands. Liberty intends to drill 3 horizontal wells on the non-operated lands and 4 to 6 horizontal wells on the 100% lands in 2001 to add net production of 200 BOE/D by the end of 2001.

Land Holdings

The Company has been continuing to grow its land position in Alberta and Saskatchewan. At December 31, 2000, the Company's land holdings consisted of 29,317 gross producing acres (12,300 acres net to the Company) and 24,258 gross non-producing acres (15,615 acres net to the Company), compared to December 31, 1999 land holdings of 27,785 gross producing acres (9,595 acres net to the Company) and 16,612 gross non-producing acres (8,202 acres net to the Company).

Note: Anything detailed in red on the maps is part of the 2001 Exploration & Development Capital Program.

Financial Position

Liberty estimates, based upon the Gilbert Laustsen Jung Report, that cash flow projections, the capital expenditures relating to future development and exploration activities, debt service requirements, operating and general administrative expenses will be funded by cash flow from operations and available bank lines.

Liberty has achieved its growth through a balanced position of acquiring producing oil and natural gas properties together with a progressive plan of exploitation and development.

Liberty has completed several private equity issues and has arranged a bank line of credit to fund capital projects and facility installations.

Adding value to the shareholders' position is the primary focus of managing Liberty's asset growth and development objectives.

The product pricing of the industry is volatile and Liberty is determined to minimize the effect of the pricing fluctuations with an even balance of oil and natural gas reserves.

Liberty is conscious of its environmental responsibility and annually provides financial commitments for site restorations and well abandonments in accordance with industry standards.

The Company's total future site restoration and abandonment liability has been estimated at $2.0 million of which $290,000 has been accrued to December 31, 2000.

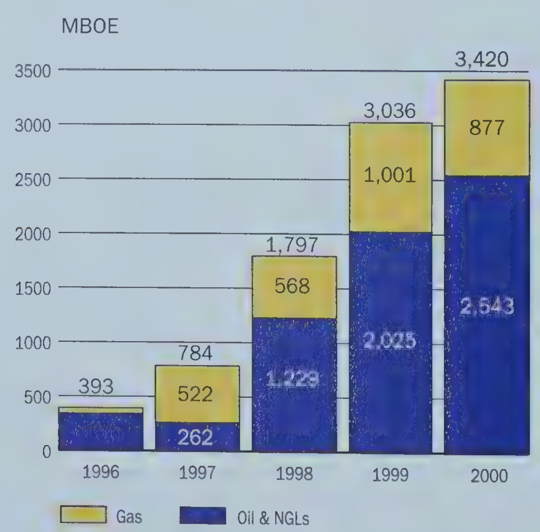
Liquidity and Capital Resources

During the year ended December 31, 2000, Liberty's $12.8 million capital expenditure program consisted of land and acquisitions of $1.7 million, drilling and completions of $7.5 million and well equipment and facilities of $3.6 million. Growth in capital spending for year 2000 represents a 178% increase over the $4.6 million of capital expenditures for the same period in 1999.

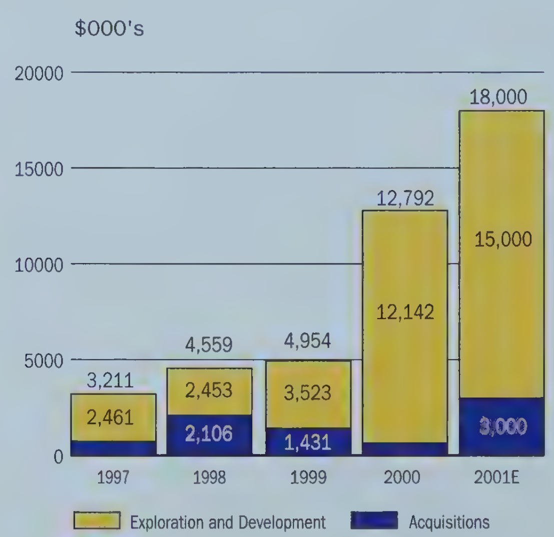
The 2000 capital expenditure program was financed primarily from cash flow of $6.4 million, available line of credit net of working capital of $4.1 million and net share equity issues totaling $2.3 million.

At December 31, 2000, Liberty had a working capital deficiency of $3.9 million compared to a working capital deficiency of $2.1 million at December 31, 1999.

Reserves (Proven + 50% Probable)



Capital Spending



Capital Resources

Year Ended December 31 ($thousands)	**2000**	1999
Cash flow from operations	**6,429**	1,544
Working capital (deficiency	**(3,901)**	(2,055)
Long-term debt	**7,514**	5,242
Equity issues, net of costs and the tax effect of flow-through shares	**2,318**	966

Long-Term Debt

Bank loan at December 31, 2000, net of working capital, increased to $11.4 million compared to $7.3 million at December 31, 1999. The increase in long-term debt, net of working capital, of $4.1 million was for the partial funding of the Liberty's 2000 capital expenditure program.

Variations in Operating Results

The following is a summary of the variations in Liberty's operating results for the years ended December 31, 2000 and December 31, 1999.

Cash flow

Cash flow for the year ended December 31, 2000 was $6.4 million, an increase of 316% compared to $1.5 million for the same period in 1999.

The increase in cash flow for 2000 is primarily due to increased product prices and increased production rates during 2000.

Cash flow per share basic for the year ended December 31, 2000 was $0.47 per share based on the 13,735,166 weighted average number of shares outstanding during 2000 and represents a 236% increase from $0.14 cash flow per share basic for the same period in 1999.

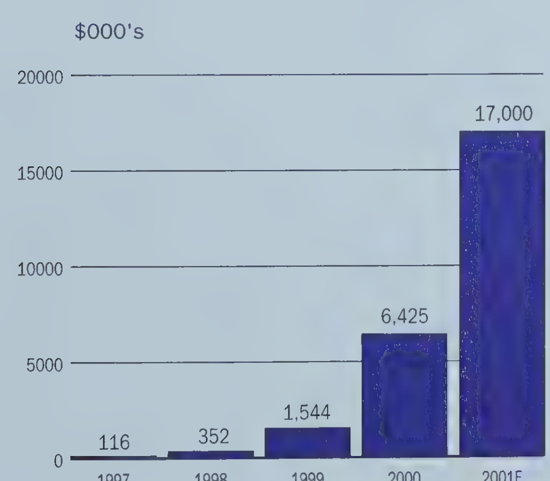
Cash flow per share fully diluted for the year ended December 31, 2000 was $0.43 per share based on the 14,924,630 weighted average number of shares outstanding during 2000 and represents a 207% increase from $0.14 cash flow per share fully diluted for the same period in 1999.

Annual Sales Volumes

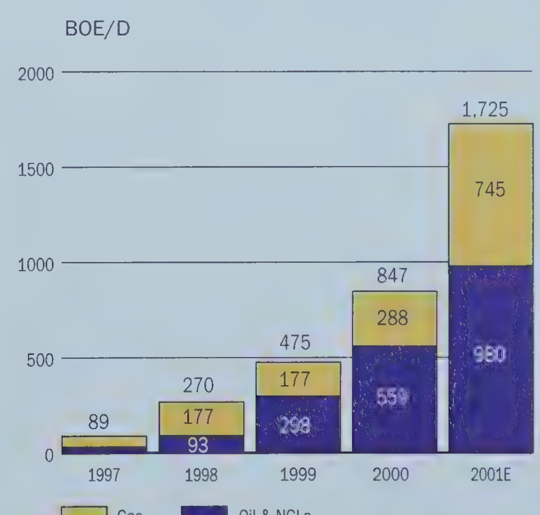
Oil and NGLs sales volumes for the 2000 year totalled 204,446 BOE (an average of 559 BOE/D), an increase of 88% compared to 108,700 BOE (an average of 298 BOE/D) for the same period in 1999. Natural gas sales volumes for the 2000 year totalled 1,054,466 Mcf (an average of 288 BOE/D), an increase of 63% compared to 647,754 Mcf (an average of 177 BOE/D) for the same period in 1999.

The Company's production for 2000 of 847 BOE/D was comprised of 559 BOE/D of oil and NGLs (66%) and 288 BOE/D of natural gas (34%) compared to 63% and 37% respectively for the same period in 1999.

Cash Flow From Operations



Annual Daily Average Production



Product Prices

Oil and NGLs selling prices averaged $35.26/Bbl during 2000, a 50% increase compared to $23.56/Bbl for the same period in 1999.

The average selling price for natural gas during 2000 was $5.64/Mcf, a 92% increase compared to $2.93/Mcf for the period in 1999.

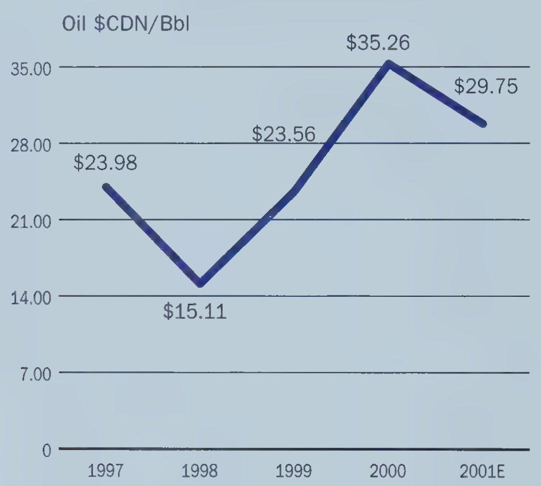
Annual Gross Sales

Oil and NGLs sales for the 2000 year totalled $7,208,879, an increase of $4,648,388 compared to $2,560,491 for the same period in 1999. The increase in Oil and NGLs sales for 2000 attributable to higher volumes was $2,255,340 and the increase attributable to higher oil and NGLs prices was $2,393,048.

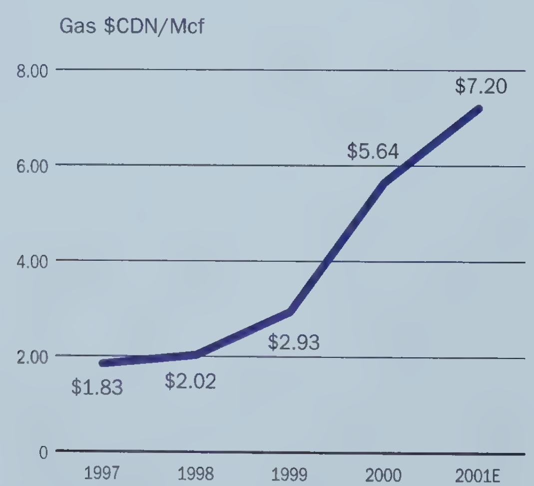
Natural gas sales for the 2000 year totalled $5,950,467, an increase of $4,050,771 compared to $1,899,696 for the same period in 1999. The increase in natural gas sales for 2000 attributable to higher volumes was $1,192,782 and the increase attributable to natural gas prices was $2,857,989.

Gross sales for year 2000 totalled $13,159,346, an increase of 195% compared to $4,460,187 for the same period in 1999.

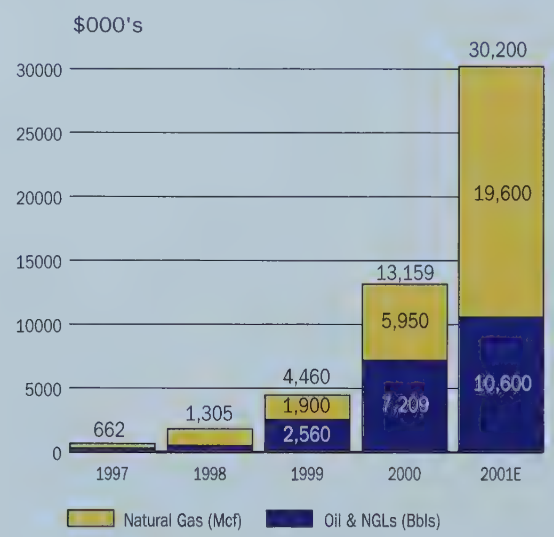
Product Prices



Product Prices



Annual Gross Sales



Oil and Gas Sales (net of royalties) and Processing Fees

Gross oil and natural gas sales are reduced by Crown royalties net of the ARTC and overriding royalty burdens and are increased by gas processing fees charged to third parties.

Oil and gas sales (net of royalties) and processing fees for the year 2000 totalled $10,552,359, an increase of $6,595,458 or 167% compared to $3,956,901 for the same period in 1999.

Operating

Operating expenses for the 2000 year totalled $2,357,165, an increase of $1,149,373 compared to $1,207,792 for the same period in 1999. For 2000, operating expenses averaged $7.61 per BOE ($7.37 per BOE after deducting processing income) compared to an average of $6.96 per BOE for the same period in 1999. The increase in operating expenses per BOE is due to expanded operations in the Saskatchewan oil projects.

General and Administrative

General and administrative expenses for the 2000 year totalled $1,150,960, an increase of $332,959 compared to $818,001 for the same period in 1999. The 2000 general and administrative expenses averaged $3.71 per BOE compared to the 1999 average of $4.72 per BOE, a decrease of 21% resulting from additional economies of scale with increased production volumes.

Interest on Long-Term Debt

Interest expense for the 2000 year totalled $597,852, an increase of $245,761 compared to $352,091 for the same period in 1999. Partial funding of the 2000 capital program through expanded credit facilities contributed to the increase in interest.

The bank's prime rate fluctuated from a low of 6.75% to a high of 7.5% during the year 2000 and averaged 7.22% for the year.

Depletion and Amortization

Depletion and amortization provisions for the 2000 year totalled $2,678,413, an increase of $1,581,179 compared to $1,096,694 for the same period in 1999. The increase in the 2000 provision is primarily due to an expanded capital expenditure base and increased production levels.

Net Income

Net income for the 2000 year totalled $2,338,756, an increase of $1,870,926 or 400% compared to $467,830 for the same period in 1999.

Basic earnings per share for the 2000 year were $0.17 compared to $0.04 for the same period in 1999.

Fully diluted earnings per share for the 2000 year were $0.16 compared to $0.04 for the same period in 1999.

Business Risks

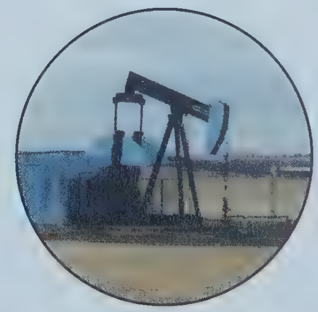
The 2000 year has been an excellent reminder of the risks inherently involved in oil and gas exploration. Commodity prices of oil and natural gas are beyond the control of the Company and the volatility of commodity pricing can significantly affect the level of the Company's cash flow. The Company's strategy to minimize the effects of pricing fluctuations is to maintain an even balance of oil and gas reserves and production.

The foregoing discussion and analysis of the financial results should be read in conjunction with the consolidated financial statements for the years ended December 31, 2000 and 1999. Information provided for the year 2001 is based on assumptions regarding future events and is subject to risks and uncertainties that may cause actual results to vary materially from these estimates.

SUPPLEMENTAL FINANCIAL INFORMATION (UNAUDITED)

	2000			
	Q4	Q3	Q2	Q1
Production				
Daily Average Production				
Oil + NGLs (BOE/D)	585	575	607	467
Natural Gas (BOE/D) (10:1)	235	289	281	347
Total (BOE/D)	820	864	888	814
Product Prices				
Oil + NGLs ($Cdn/Bbl)	$31.98	$38.52	$34.65	$36.15
Natural Gas ($/Mcf)	$10.47	$5.26	$4.86	$3.30
Annual Gross Sales ($000's)				
Oil + NGLs	$1,720	$2,038	$1,912	$1,538
Natural Gas	$2,262	$1,401	$1,244	$1,044
Total	$3,982	$3,439	$3,156	$2,582
Weighted Average Common Shares Outstanding				
Basic common shares outstanding during the quarter	14,228,207	13,669,776	13,667,923	13,370,060
Fully diluted common shares outstanding during the quarter	15,610,325	15,055,873	15,056,590	13,857,711
Summary of Operations ($000's)				
Oil and gas sales (net of royalties)	$3,232	$2,611	$2,460	$2,249
Interest income	1	2	2	1
	3,233	2,613	2,462	2,250
Operating	799	635	422	501
Depletion and site restoration	789	749	668	472
General and administrative	230	342	338	241
Interest on long-term debt	172	169	147	110
Income (loss) before taxes	1,243	718	887	926
Income Taxes	236	315	482	402
Net income (loss) for the quarter	$1,007	$403	$405	$524
Earnings per share - Basic	$0.071	$0.029	$0.030	$0.039
Earnings per share - Fully Diluted	$0.065	$0.027	$0.027	$0.038
Cash flow from operations ($000's)	$2,010	$1,548	$1,501	$1,369
Cash flow per share - Basic	$0.150	$0.110	$0.110	$0.100
Cash flow per share - Fully Diluted	$0.130	$0.100	$0.100	$0.100

	1999			
	Q4	Q3	Q2	Q1
	275	300	314	304
	171	174	169	196
	446	474	483	500
	$31.77	$27.16	$21.21	$14.78
	$3.50	$3.11	$2.90	$2.30
	$802	$748	$606	$404
	$551	$498	$445	$406
	$1,353	$1,246	$1,051	$810
	10,970,258	10,917,123	10,917,123	10,917,123
	11,432,193	11,348,893	10,917,123	10,917,123
	$1,109	$1,124	$990	$734
	13	1	1	2
	1,122	1,125	991	736
	407	305	280	216
	(20)	417	355	345
	253	207	214	143
	90	90	88	84
	392	106	54	(52)
	(17)	49	0	0
	$409	$57	$54	($52)
	$0.037	$0.005	$0.005	($0.005)
	$0.036	$0.005	$0.005	($0.005)
	$319	$523	$409	$293
	$0.029	$0.048	$0.037	$0.027
	$0.028	$0.046	$0.037	$0.027



MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying consolidated financial statements are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the consolidated financial statements. Consolidated financial statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with generally accepted accounting principles.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safe-guarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

BDO Dunwoody LLP, the external auditors, conduct an independent examination of the consolidated financial statements in accordance with generally accepted auditing standards in order to express their opinion on the consolidated financial statements. Their examination includes a review and evaluation of the Company's system of internal controls and such tests and procedures as considered necessary to provide reasonable assurance that the consolidated financial statements are presented fairly.

The audit committee of the Board of Directors, with a majority of its members being outside directors, have reviewed the consolidated financial statements, including notes thereto, with management and BDO Dunwoody LLP. The consolidated financial statements have been approved by the Board of Directors on the recommendations of the audit committee.

Rick Martin
Chief Executive Officer

Rick Doherty
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders

Liberty Oil & Gas Ltd.

We have audited the consolidated balance sheets of Liberty Oil & Gas Ltd. as at December 31, 2000 and 1999 and the consolidated statements of income and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Calgary, Alberta
March 21, 2001

CONSOLIDATED BALANCE SHEETS

As at December 31	2000	1999
ASSETS		
Current		
Cash and short-term deposits	$ –	$ 60,713
Accounts receivable	**4,127,700**	1,823,667
Prepaid expenses	**105,931**	44,020
	4,233,631	1,928,400
Property, plant and equipment, net of accumulated depletion and amortization (Note 4)	**24,323,651**	14,031,038
	$ 28,557,282	$ 15,959,438
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 8,183,021**	$ 4,001,004
Corporate taxes payable	**22,000**	52,610
	8,205,021	4,053,614
Long-term debt (Note 5)	**7,514,277**	5,242,212
Future site restoration and abandonment	**290,030**	110,571
Future income taxes (Note 8(b))	**1,348,088**	9,280
	17,357,416	9,415,677
Shareholders' equity		
Share capital (Note 6)	**9,268,935**	6,951,586
Share purchase loan (Note 7)	**(70,000)**	(70,000)
	9,198,935	6,881,586
Retained earnings (deficit)	**2,000,931**	(337,825)
	11,199,866	6,543,761
	$ 28,557,282	$ 15,959,438

Approved on behalf of the Board:

Rick Martin

Director
Rick Martin

Director
Russ Sych

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (DEFICIT)

For the years ended December 31	2000	1999
Revenue		
Oil and gas sales (net of royalties) and processing fees	**$ 10,552,359**	$ 3,956,901
Interest income	**5,799**	17,155
	10,558,158	3,974,056
Expenses		
Operating	**2,357,165**	1,207,792
Depletion and site restoration	**2,678,413**	1,096,694
General and administrative	**1,150,960**	818,001
Interest on long-term debt	**597,852**	352,091
	6,784,390	3,474,578
Income before income taxes	**3,773,768**	499,478
Income taxes (Note 8(a))	**1,435,012**	31,648
Net income for the year	**2,338,756**	467,830
Deficit, beginning of year	**(337,825)**	(805,655)
Retained earnings (deficit), end of year	**$ 2,000,931**	$ (337,825)
Basic earnings per share	**$ 0.17**	$ 0.04
Weighted average number of shares outstanding during the year	**13,735,166**	10,927,039
Fully diluted earnings per share	**$ 0.16**	$ 0.04
Weighted average number of shares outstanding during the year	**14,924,630**	11,141,163

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31	2000	1999
Cash flows from operating activities		
Net income for the year	**$ 2,338,756**	$ 467,830
Adjustments for:		
Depletion and amortization	**2,678,413**	1,096,694
Future income taxes (recoveries)	**1,411,609**	(20,962)
Cash flow from operations	**6,428,778**	1,543,562
Changes in non-cash working capital balances		
Accounts receivable	**(2,304,033)**	(1,181,343)
Prepaid expenses	**(61,911)**	(8,808)
Accounts payable	**1,319,548**	279,712
Corporate taxes	**(30,610)**	52,610
	5,351,772	685,733
Cash flows from financing activities		
Issuance of share capital, net of related costs and future tax effect	**3,091,545**	1,582,655
Long-term debt	**2,272,065**	374,650
Changes in non-cash working capital balances	**(6,094)**	6,094
	5,357,516	1,963,399
Cash flows from investing activities		
Acquisition of 614684 Saskatchewan Ltd., net of cash acquired (Note 3)	–	(152,823)
Property, plant and equipment	**(13,638,567)**	(4,594,528)
Changes in non-cash working capital balances	**2,868,566**	2,154,434
	(10,770,001)	(2,592,917)
Increase (decrease) in cash	**(60,713)**	56,215
Cash, beginning of year	**60,713**	4,498
Cash, end of year	**$ –**	$ 60,713
Basic cash flow per share	**$ 0.47**	$ 0.14
Weighted average number of shares outstanding during the year	**13,735,166**	10,927,039
Fully diluted cash flow per share	**$ 0.43**	$ 0.14
Weighted average number of shares outstanding during the year	**14,924,630**	11,141,163

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

1 INCORPORATION AND OPERATIONS

Liberty Oil & Gas Ltd. (the "Company") was incorporated under the Business Corporations Act (Alberta) on March 8, 1994 and commenced operations in November 1995. On November 30, 1998 the Company amalgamated with Rockport Energy Corporation and continued as Liberty Oil & Gas Ltd. under the Canada Business Corporations Act. The Company's principal business is the acquisition, exploration and development of oil and gas properties.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Consolidation

The Consolidated financial statements include the accounts of Liberty Oil and Gas Ltd. (the "Company") and its wholly owned subsidiary 3860337 Canada Inc. (formerly 614684 Saskatchewan Ltd.), as detailed in Note 3. All significant inter-company transactions have been eliminated.

(b) Property, plant and equipment

The Company follows the full cost method of accounting for acquisition, exploration and development expenditures wherein all costs related to the acquisition, exploration and development of oil and gas reserves are initially capitalized. Costs capitalized include land acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties, costs of drilling both productive and non productive wells, together with overhead and interest directly related to exploration and development activities. Gains or losses are not recognized upon disposition of oil and natural gas properties unless such a disposition would significantly lower the rate of depletion and amortization. General and administrative expenses related to geology and acquisition of oil and gas properties are capitalized.

Costs capitalized, together with the costs of production equipment, are depleted on the unit-of-production method based on the estimated proved reserves. Production and processing equipment are depleted net of expected salvage value. Future salvage values used in determining depletion of oil and natural gas properties were estimated in aggregate to be $4,117,300 (1999 - $2,948,100). Unproved properties are excluded from the depletion calculation. Petroleum products and reserves are converted to equivalent units with natural gas at approximately 10 thousand cubic feet of natural gas to 1 barrel of oil.

In applying the full cost method, the Company performs a ceiling test on properties which restricts the capitalized costs less accumulated depletion from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and gas reserves, as determined by independent engineers, based on sales prices achievable under existing contracts and posted average reference prices in effect at the end of the year and current costs, and after deducting estimated future general and administrative expenses, production related expenses, financing costs, future site restoration costs and income taxes. No assessment is made within the first 24 months after a property is acquired, unless a permanent impairment in the ultimate recoverable amount has been determined.

2 SIGNIFICANT ACCOUNTING POLICIES – continued

The continued recoverability of amounts shown for petroleum and natural gas properties is dependent upon the discovery of economically recoverable reserves and the ability of the Company to obtain the necessary financing to complete the development and future profitable production or proceeds from the disposition of oil and gas properties.

Estimated net future site restoration and abandonment costs are provided for on the unit-of-production method based on the estimated net proven reserves. Estimated costs are based on engineering estimates in accordance with current legislation and industry practices. Actual expenditures incurred are applied against future site restoration provisions.

Where oil and gas activities are conducted jointly with others, the financial statements reflect only the Company's proportionate interest in such activities.

Automobiles, office furniture, computer hardware, computer software and well data are recorded at cost and amortized using the declining balance basis at annual rates ranging from 20 to 100%. In the year of acquisition, one-half the annual rate is used. Software licenses are amortized straight line over 36 months from acquisition.

(c) Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act of Canada ("the Act"). The Act provides that, where the share issuance proceeds are used for exploration and development expenditures, the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no tax deduction to the Company.

Commencing in 2000, the Company reduces share capital and property, plant and equipment by the estimated amount of related future tax liability when the capital expenditures are incurred. In prior years, the Company reduced the share capital and property, plant and equipment when the shares were issued. The change was adopted on a prospective basis to comply with prevalent industry practice.

(d) Financial instruments

The Company carries various financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(e) Measurement uncertainty

The amounts recorded for depletion of property, plant and equipment and the provision for future site restoration and reclamation are based on estimates of future costs and salvage values. The ceiling test is based on estimates of proven reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes and estimates in future periods could be significant.

The financial statements include accruals based on the terms of existing joint venture agreements. Due to varying interpretations of the definition of terms in these agreements the accruals made by management in this regard may be significantly different from those determined by the Company's joint venture partners. The effect on the financial statements resulting from such adjustments, if any, will be reflected prospectively.

2 SIGNIFICANT ACCOUNTING POLICIES – continued

(f) Future income taxes

The liability method is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(g) Stock-based compensation plan

The Company has a stock-based compensation plan as per Note 6(c). No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled will be charged to retained earnings.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances (including temporary bank overdrafts), term deposits and investments with maturities of three months or less.

(i) Employee Share Savings Plan

During the year, the Company initiated an employee share savings plan whereby each employee may elect to contribute up to 5% of their regular salary and the Company will match the employees contribution on a two share to the one share purchased by the employee. The common shares are purchased through the facilities of the Canadian Venture Exchange. Included in general and administrative expense is $53,301 of expenditures related to this plan.

3 BUSINESS COMBINATION

The Company entered into an agreement on December 1, 1999 whereby it agreed to purchase all of the shares of 614684 Saskatchewan Ltd. (614684), a private company. The acquisition of 614684 was accounted for by the purchase method. The fair values of the assets and liabilities acquired were as follows:

Cash	$ 60,001
Other current assets	50,163
Current liabilities	(21,921)
Working capital	88,243
Petroleum and Natural Gas Properties (net book value of $505,911, resulting in an adjustment to book values of $326,531)	832,442
Future tax liability	(146,940)
Long-term debt	(707,861)
Fair value of net assets acquired	$ 65,884

Purchase price paid via:

Cash	$ 212,824
Fair value of net assets acquired	(65,884)
Future tax adjustment included in property, plant and equipment	$ 146,940

4 PROPERTY, PLANT AND EQUIPMENT

December 31, 2000	**Cost**	**Accumulated depletion and amortization**	**Net Book Value**
Furniture and equipment	**$ 203,256**	**$ 98,603**	**$ 104,653**
Petroleum and natural gas properties and equipment	**28,808,081**	**4,589,083**	**24,218,998**
	$ 29,011,337	**$ 4,687,686**	**$ 24,323,651**

December 31, 1999	Cost	Accumulated depletion and amortization	Net Book Value
Furniture and equipment	$ 153,249	$ 63,884	$ 89,365
Petroleum and natural gas properties and equipment	16,066,521	2,124,848	13,941,673
	$ 16,219,770	$ 2,188,732	$ 14,031,038

During 2000, the Company capitalized $227,402 (1999 - $97,830) of general and administration expenses related to geology and $358,777 (1999 - $263,365) of general and administration expenses related to acquisition of oil and gas properties. As at December 31, 2000, costs of acquiring unproved properties in the amount of $1,251,000 (1999 - $531,100) were excluded from depletion calculations.

5 LONG-TERM DEBT

	2000	1999
Revolving demand loan bearing interest at prime plus 0.50% with a maximum available amount of $8.0 million (1999 - $7.2 million). This loan is secured by a general assignment of book debts and a $10 million debenture with a floating charge over all assets of the Company. A stand by fee of 1/4% per annum is charged on the undrawn portion of this facility and is payable monthly. In spite of being a demand loan, the bank does not intend to demand repayment of the outstanding principal balance prior to December 31, 2001. Subsequent to year end, the Company changed financial institutions and increased its credit facility to $12.0 million (Note 13).	**$ 7,514,277**	$ 4,534,351
Loan payable in monthly payments of interest only. Interest is charged at 9% per annum. The loan is due March 31, 2001 and has been repaid during the year out of the Company's credit facility.	–	707,861
	$ 7,514,277	$ 5,242,212

6 SHARE CAPITAL

(a) Authorized

Unlimited Common voting shares

Unlimited Class A preferred shares

(b) Issued

	2000		1999	
	Number of Shares	**Amount**	Number of Shares	Amount
Common shares				
Balance, beginning of year	**13,361,354**	**$7,084,356**	10,917,123	$6,115,206
Issued for cash pursuant to:				
Flow-through shares (Note 6(d))	**294,118**	**250,000**	–	–
Flow-through shares	**2,996,681**	**2,996,681**	2,444,231	1,588,750
Tax effect of flow-through shares	–	**(847,000)**	–	(619,600)
Exercise of options	**19,000**	**6,650**	–	–
	16,671,153	**9,490,687**	13,361,354	7,084,356
Less: Share issue costs, net of future tax effect of $189,501 (1999 - $116,698)	–	**(221,752)**	–	(132,770)
Balance, end of year	**16,671,153**	**$9,268,935**	13,361,354	$6,951,586

(c) Stock options

The Company adopted a stock option plan for officers, employees, directors and consultants pursuant to the terms of which the Company can option up to 10% of the issued shares as follows:

	Number of Shares	Option Price per Share	Weighted Average Exercise Price
Options outstanding, Dec. 31, 1998	398,703	$0.78 to $2.10	$1.43
Options - granted	462,000	$0.35	$0.35
- cancelled	(404,703)	$0.35 to $2.10	$1.41
Options outstanding, Dec. 31, 1999	456,000	$0.35	$0.35
Options - granted	660,000	$0.75	$0.75
- exercised	(19,000)	$0.35	$0.35
- cancelled	(9,000)	$0.35	$0.35
Options outstanding Dec. 31, 2000	1,088,000	$0.35 to $0.75	$0.59

The options that are vested at December 31, 2000 are summarized as follows:

Options Outstanding	**Option Price**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	**Number of Options Currently Vested**	**Weighted Average Exercise Price of Options Currently Exercisable**
428,000	**$0.35**	**$0.35**	**1.5 years**	**285,333**	**$0.35**
660,000	**$0.75**	**$0.75**	**4.2 years**	**220,000**	**$0.75**
1,088,000				**505,333**	

6 SHARE CAPITAL – continued

The options that are vested at December 31, 1999 are summarized as follows:

Options Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Vested	Weighted Average Exercise Price of Options Currently Exercisable
456,000	$0.35	$0.35	2.5 years	152,000	$0.35

Subsequent to year end, 45,000 options were exercised and 5,000 options were cancelled.

(d) Warrants

During the year, the Company completed a financing whereby the Company issued 294,118 common shares on a flow-through basis with one share purchase warrant attached to each common share. The warrant entitles the holder to purchase one additional common share at $0.95 and expires on September 1, 2001. No warrants have been exercised.

7 SHARE PURCHASE LOAN

In 1998, the Company advanced funds to an officer and director to assist with the director's acquisition of shares in the flow-through share offering that closed on November 4, 1998. The loan is secured by the shares issued and bears interest at prime plus 1%.

8 INCOME TAXES

(a) The effective rate of income tax varies from the statutory rate as follows:

	2000	1999
Combined tax rate	**45%**	45%
Expected income tax provision at statutory rate	**$ 1,698,196**	$ 224,765
Other permanent differences	**10,189**	1,600
Resource related adjustments	**52,319**	(71,988)
Provision for large corporations and provincial capital taxes	**23,140**	52,610
Reversal (recognition) of future tax assets	**(348,832)**	(175,339)
Actual income tax provision	**$ 1,435,012**	$ 31,648

(b) Principal components of the net future tax asset (liability) are:

Future tax asset:	**2000**	1999
Unused tax losses carry forward	**$ 276,653**	$ 443,271
Share issue costs	**127,431**	90,090
	404,084	533,361
Future tax liability:		
Capital assets	**1,752,172**	524,081
Net future tax liability	**$ 1,348,088**	$ 9,280

8 INCOME TAXES – continued

(c) At the end of the year, subject to confirmation by income tax authorities, the Company has the following undeducted tax pools:

December 31	**2000**	1999
Canadian Oil and Gas Property Expenses	**$ 3,757,000**	$ 2,504,000
Canadian Exploration Expenses	**$ 1,387,000**	$ 2,807,000
Canadian Development Expenses	**$ 5,260,000**	$ 2,362,000
Undepreciated Capital Cost	**$ 6,040,000**	$ 3,882,000
Share Issue Costs	**$ 283,000**	$ 202,000
Non-Capital Losses, expiring at varying dates before December 31, 2007	**$ 615,000**	$ 985,000

(d) Future tax liabilities associated with oil and gas properties resulting primarily from the issue of flow-through shares to December 31, 2000 in the amount of $2,054,300 (1999 - $1,207,300) have been netted against property, plant and equipment (Note 2(c)). The Company is committed to flow-through tax benefits of $1,365,381 of additional expenditures to be incurred in 2001 with respect to its 2000 flow-through share offering.

In addition, the Company has recognized $189,501 (1999 - $116,698) as a future income tax asset and a reduction of share issue costs for tax benefits to be utilized with respect to share issue cost pools available at December 31, 2000.

9 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2000, the Company:

(a) Charged $5,765 (1999 - $4,753) of interest on a loan to a shareholder as detailed in Note 8.

(b) Issued 5,000 (1999 - 73,125) shares of the total 3,290,799 (1999 - 2,444,231) flow-through shares to officers and directors of the Company.

(c) Included in trade accounts, net of advances, are $27,103 (1999 - $20,699) due to certain directors of the Company who are also members of the management team.

10 COMMITMENTS

(a) The Company is committed to leased office premises with future lease payments, plus common costs, as follows:

2001	$143,994
2002	179,835
2003	141,723
2004	139,506
2005	144,900

The leases expire December 30, 2002 and March 31, 2006

10 COMMITMENTS – continued

(b) The Company is committed to leased vehicles and three natural gas compressors under operating leases with future lease payments as follows:

2001	$247,151
2002	207,092
2003	127,167
2004	11,292

11 FINANCIAL INSTRUMENTS

As disclosed in Note 2(d), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk and industry credit risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Interest rate risk management

The Company's short and long-term borrowings are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

As at December 31, 2000, the increase or decrease in net earnings before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $75,200 (1999 - $45,400). The related disclosures regarding these debt instruments are included in Note 5 of these financial statements.

(b) Industry risks

The Company's trade accounts receivable are from companies in the oil and gas industry, and as such the Company is exposed to all the risks associated with that industry. The Company manages price risk on its production by entering into forward sales and fixed price contracts.

12 STATEMENT OF CASH FLOWS

(a) The net income taxes paid in 2000 were $59,370 (1999 - Nil).

(b) The total interest paid in 2000 was $597,852 (1999 - $352,091).

(c) During the year, the Company had no non-cash transactions other than those disclosed elsewhere in these financial statements.

13 SUBSEQUENT EVENT

Subsequent to year end, the Company changed banking arrangements to the National Bank of Canada and negotiated an increase in the available credit facility to $12.0 million. Any demand loan outstanding bears interest at prime plus 0.50%. This loan is secured by a general assignment of book debts and a $20 million first fixed debenture with a floating charge over all assets of the Company. A standby fee of 1/8% per annum is charged on the undrawn portion of this facility and is payable monthly.

14 COMPARATIVE FIGURES

The comparative financial statement presentation has been restated to conform with the current year's presentation.

NOTES

KEY PERSONNEL

Rick Martin	President, CEO & Chairman	(403) 543-8786
Rick Doherty	Controller & CFO	(403) 543-8782
Russ Sych	Production Foreman	(403) 556-0414
Deirdre Trudgeon	Legal Counsel & Corp. Secretary	(403) 543-8781
Fred Farkas	Exploration Manager	(403) 263-4455
Susan Elliot	Land Manager	(403) 543-8783
Greg Elliot	Operations Manager	(403) 543-8785
Cherie Boon	Financial Accountant	(403) 543-8780
Ron Ewacha	Land Administration Clerk	(403) 205-8571
Barbara Simpson	Production Accountant	(403) 543-8784
Lenni Werner-Schmidt	Consulting Landman	(403) 205-8570
Eldon Samson	Field Operator, AB	(403) 820-1623
Don Dart	Field Operator, AB	(403) 823-0744
Terry Bailey	Field Operator, SK	(306) 672-7618
Karen Bailey	Field Office Administrator	(306) 773-8842
Dwayne Story	Engineering Technologist	(403) 205-8577
Ceara Thompson	Junior Accountant	(403) 205-8572
Justin Doherty	Computer Operations Analyst	(403) 205-8576
Jeannette Locke	Accounting Consultant	(403) 205-8573
Carina Solda	Receptionist	(403) 543-8787
Dave Hughes	Geologist	(403) 205-8574
Lucy Ionescu	Reservoir Engineer	(403) 205-8575
Luanne Kovacs	Administrative Assistant	(403) 205-8578

CORPORATE INFORMATION

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Board of Directors

Rick Martin(1)
President, CEO & Chairman

Russ Sych
Production Foreman

John Doyle(1)
President, Netook Construction Ltd., Olds

Iain Barr(1)
VP Finance, Pacific West Systems Supply Ltd., Vancouver

(1) Members of the Audit Committee

Stock Exchange: CDNX

Trading Symbol: LBR

No. of Shares Issued and Outstanding
as of April 19, 2001: **16,746,153**

Solicitor

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Investor Relations

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Legal Counsel & Corporate Secretary
Phone: (403) 543-8781

Glossary

ARTC	Alberta Royalty Tax Credit
Bbl	Barrel
Bbl/d	Barrels per day
BOE	Barrels of oil equivalent (10 Mcf = 1 BOE)
BOE/D	Barrels of oil equivalent per day
MBOE	Thousand barrels of oil equivalent
M	Thousand
MM	Million
Mcf	Thousand cubic feet
Mcf/d	Thousand cubic feet per day
MMcf/d	Million cubic feet per day
NGLs	Natural gas liquids

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